



Mr. LINDBERGH. Mr. Chairman, it seems that the discussion about the high prices of commodities all centers around the tariff problem. In my opinion, the tariff forms one of the least incidents in the high cost of living. The politicians use the tariff issue as a decoy to deceive and make believe that if the tariffs were revised as they pretend they should be that living would be cheap.

For political power the tariff has been worked to its utmost. The subject is one of importance, but for years it has obscured more vital problems. Of course, the tariff should have a proper amount of attention, but it is not tariff legislation that will remedy the main difficulties that we are contending with.

Politicians have kept the tariff in our minds to the exclusion of more important problems, and while our attention has been riveted to the tariff there have been established in our social relations false systems that have placed us in a state of dependence that now presents the most complicated problems for us to solve.

We can not regard the tariff problem from the same point of view that we would if our financial system was on a proper basis, and under the present existing conditions I believe in a tariff that takes into account our industrial conditions measured with those existent in other countries. A tariff should be levied on those commodities that are equally natural of production with labor here; that would measure the difference in the compensation paid for labor in producing here and the compensation paid for labor in producing in competing countries. I do not know what that difference is—in fact, no one can except in a general way—and it must be apparent to any person that the tariff requires to be changed with the constantly changing conditions.

I call attention to a few things that affect the cost of living other than the tariff.

A few years since the money changers, who are now in control of the industrial and speculative trusts, discovered that there was great profit to them in working this generation in order to produce for remote future generations. They are using the present collective energy of the people and the natural products of this generation for the use of many generations to follow, whereas a few years back we produced for ourselves and our children only.

Formerly we were satisfied to take care of our immediate needs, which included giving to our children the necessary health, education, etc., in order to fit them for life, and it was assumed that they should take care of their own; consequently more of our energy was used for our immediate needs, which naturally made it easier for us to live.

We are tearing down much of the work our fathers did for us, and we are now building for the people that will be here after we and our children are gone. Go down town, if you will, and see the valuable buildings that were built only a few years ago that are now being torn down to be replaced by new structures that will stand for hundreds of years.

In New York City the same work is done on a larger scale. In to-day's paper I read that Madison Square Garden is to be destroyed and that the great structure there is to be replaced by a new one that will cost many millions.

Go into any large city, and it will be found that what our fathers and we have built does not satisfy present desires, so we are expending our energy in tearing down our past work and rebuilding new for future use. Some of us may get some benefit from these, but there is no way we can avoid paying for their entire production. Whatever energy this generation spends it pays for. That is an economic fact, and we would do well to consider some economic facts here instead of playing politics.

On June 16, 1910, I made a statement (CONGRESSIONAL RECORD, p. 8270, 61st Cong., 2d sess.) in which I discussed at some length the cause of high prices. I think that any person who will take that statement, read it, and then follow the investigations on his own account will believe that the immense production of property now for future use has had far more to do with increasing prices than the tariff has had. Consider just a few of the many:

The railway systems have been enormously extended. In 1850 there were 8,571 miles of railway in the United States; in 1909 there were 236,838 miles. The passenger traffic has increased approximately 300 per cent in 20 years and the freight over 300 per cent. Many billions of dollars were expended in building railways in that time, a large part of it suited to last as long as the earth stands. Tunnels alone within New York City, built within the last few years and which will last as long as the earth keeps its shape, have cost about \$500,000,000, and an order has been made for \$257,400,000 more. Old buildings torn down and new ones to take their place, which will last hundreds of years, have lately been and others are being built in this country, costing in the billions of dollars; the increased cost of armies and navies is another great item; canals, the Panama alone to cost \$500,000,000, have been and are in the process of construction; bridges alone in one city cost about \$100,000,000; two railway terminals in the same city, one just completed and the other in process of construction, approximately cost \$150,000,000; and so on, I could add to the recent, present, and prospective constructions that have been and are taking place, all of which is to aid in one way and encumber in another the unborn generations at the expense of the present.

Take one item as an illustration and consider it from its different angles:

The Pennsylvania terminal in New York City cost approximately \$100,000,000, and was opened November 26, 1910. The New York Times, at the time, in an editorial commenting on it, said:

In a sense it is proper to speak of the Pennsylvania's terminal as a gift to the city. It would be very difficult to show that the road would receive a direct return for its expenditure—that is, that the fares paid for new passengers attracted to its lines by this terminal will suffice to pay interest on its cost.

The editorial did not consider that, when the Pennsylvania Railway system undertakes to bolster its freight charges, it figures in the \$100,000,000 terminal as a part of the cost of its system on which the Supreme Court holds it has a right to base its charges, and that in fixing them it has a right to a reasonable rate, and that no legislative body can confiscate its property by reducing the rates below a reasonable earning on its capital investment.

The Times editorial, further commenting, says:

The Pennsylvania Railroad is a great corporation, and is not exempted from the widespread feeling of hostility to corporations which has been engendered in this country by the talk and writing of countless demagogues and agitators. The Pennsylvania terminal, admirably serving the needs and promoting the convenience of the public, a magnificent structure which is an adornment to the city, is this corporation's reply to the flow of reckless and irresponsible abuse of corporations.

Here, again, the editor failed to comprehend the fitness of things. The Times, so far as I know, may or may not be a corporation paper. It discusses problems generally with a full sense of appreciation in the interest of the general public, but it errs in its consideration of the Pennsylvania terminal, for without this new magnificent \$100,000,000 terminal the company was, with its old terminals and system of ferries, consistently serving the public and, as further stated by the Times—

the road was not compelled to build this station either by law, by any public service commission's mandate, or by popular clamor.

But, as the Times stated:

It is a purely voluntary addition to its facilities, the idea of which was born in the mind of A. J. Cassatt.

The directorate of the company erected in a conspicuous place in that station a bronze statue of Mr. Cassatt, with the following inscription carved on the stone setting:

ALEXANDER JOHNSTON CASSATT, PRESIDENT PENNSYLVANIA RAILROAD COMPANY, WHOSE FORETHOUGHT, COURAGE, AND ABILITY ACHIEVED THE EXTENSION OF THE PENNSYLVANIA RAILROAD INTO NEW YORK CITY.

To the millions of people who will annually inspect it, this inscription may be a suggestion that they are being daily charged on the food they eat, the clothes they wear, and the luxuries, if any, they enjoy, their quota for the construction, maintenance, and interest on invested capital for this "purely voluntary addition" to the world's great terminals.

The truth is that the terminal is an involuntary gift to that city by the people generally, and is not a voluntary gift by the Pennsylvania Railroad Co., as suggested by the Times, but was voluntarily built by that company and its cost is added to the freight charges on the food the poor people of New York and elsewhere eat and the clothes they wear. Not only that, but every farmer and laborer in the United States, and all people, in fact, are, by the law of general average, being taxed for that terminal. It subtracts from the advantages of the people and is one more of the colossal monuments of vested property on which to tax us and our children and all future generations, so long as we measure progress by an erroneous standard.

And the Times, to further display ignorance, or else the sophistry of its editorial writer on that occasion, wound up the editorial:

The new station is not only an example to other public-service corporations, but should serve to warn the public against too ready acceptance of the doctrines and calumnies of self-appointed teachers and guides who make the villifying of great business concerns their profession.

Surely the "example to other public-service corporations" served to cause another great railroad in the same city—the New York Central—to begin a like terminal, which is now well under way, which, when completed, will cost a sum approximately equaling that paid for the Pennsylvania. These and other stations in other cities costing extravagant sums all have their share in making the cost of living higher, for all these railways are authorized to charge higher freight rates, in order to get "legitimate" returns on capital invested. Consult the court decisions about that. The courts have answered by decree—a grim reality that was far removed from the editorial inspiration of the Times.

Who presents these grand gifts to New York and other cities? It is absurd to say the railroads do. We can excuse the Times' editor, for he was dazzled by the magnificence of the terminal station opening in his own city, but those he chooses to call "self-appointed guides and teachers" should not be invited to slink away into retirement, just because the editor saw only one side, and that the selfish, of a proposition that involves every human being who, while this system lasts, has now or in the future to earn his daily bread.

These "purely voluntary additions," as the Times calls them, are built in many cities without regulation, excepting that suggested in the inscription referred to as Cassatt's "forethought, courage, and ability"; and the "vested interest" in them appeals to all future people with a court's decree—we, the vested interests, have a right to charge you, the people, interest on our capital and add it to the freight rate on your food and your wares and make you and your posterity pay for it. To have escaped this decree you should have been born before civilization commenced.

The building of the terminals should be regulated so that the railways could not build two where but one is needed, and the cost also should be confined to a reasonable sum.

The inducement for building extensively for the use of the future is that capitalists find in it a means of converting the collective energy of the people into producing a fixed capital, and then charge the people interest on the capital that they have created by their own energy.

It does not require a profound student to see that the collective energy of the people applied to the use of modern machinery controlled by the Morgans, Rockefellers, Cassatts, and others, will rapidly produce a capital so enormous that the "vested rights" as now interpreted by the courts will, if we let things go by this plan, make us and our posterity the abject serfs of the capitalists. We shall have to regulate the constructions if we would avoid the absolutely certain dependence that will rapidly overtake us in following the rule of the court.

In the Minnesota rate case, lately decided, the court held that the railroad companies were entitled to 7 per cent as a reasonable return upon their capital, practically holding, at the same time, that the increased value of property, caused by the necessities of an increased population, might be taken into consideration and that the railways are entitled to interest on that, too.

The value of the property in the United States is approximately \$125,000,000,000. Following the construction of the court, the owners are entitled to tax the people for its use 7 per cent after their expenses are paid, which would on compounding double in about 8 years, be four times that in 16 years, and eight times in 24 years. At that rate the average interest charge per capita 24 years from now would exceed the present average earnings of the wageworker. None but capitalists would then be able to educate their children. Already 80 per cent of the capital is owned by about 3,000 individuals and concerns.

Instead of looking at the economic facts and the industrial tendencies of things we have drifted into the habit of turning away from these and listening to politicians tell how they are going to remedy all this high cost of living with a simple revision of the tariff. It is the sheerest nonsense. The longer we are fooled with that pretense the more difficult it will be to solve the real economic problems in a proper way, and the greater the sacrifice will be.

Mr. Bryan recently stated to his Democratic brethren:

The Democratic Party can not hope to fool anybody very long by a one-sided application of the doctrine to the few districts which happen to contain protectionists.

Mr. Bryan was referring to his objection to the Democrats supporting a protective tariff and labeling it a tariff for revenue. His plea was for an honest statement of the facts. He was speaking in the capacity of an honest citizen more than as a Democrat, and the moral of the statement is worth something to the citizen who would know the real purpose of his Government. But Mr. Bryan still holds to the position that the tariff holds a greater relation to the cost of living than it really does.

Mr. Bryan was advising politicians when he made the statement I quoted. At the same time he stated:

\* \* \* It may be well to remember that the voters of all parties are braver than politicians. The Republican voters were brave enough to turn out a lot of Republican Aldriches. What reason have our Democratic Congressmen to think Democrats are less courageous?

Differences of opinion are to be expected within the party as well as without, but expediency as well as honor requires that the differences shall be frankly stated, courageously fought out, and fairly settled.

Honest people generally, of whatever political faith, admire Mr. Bryan; but whether they do or not, to use his language, expediency as well as honesty requires that the differences should be frankly stated, courageously fought out, and fairly settled.

I expect to show that there is something other than frankness, courage, and fairness in the Government administration by those to whom the people have delegated that duty. First, however, I shall make some observations on principles that must be recognized and practiced before we can have lasting prosperity for all industrious people.

Commercial evils can not be corrected until we understand the true principles on which to proceed. Until then we shall run by opposites, sometimes having good times, sometimes bad ones, but never the best that natural conditions consistently followed would give us.

I would not advise a lie to anyone, but if one does lie least of all let it be to himself, for one is necessarily fundamental to himself. Every citizen may truly say he is the Government, and as such it is of the utmost importance for him to be honest with himself.

The Government does not and can not furnish us a living so long as we are a part of it. If we commit crimes and lose our right of citizenship through conviction, then we may be supported by the Government in prison. We must support ourselves, however, under all proper circumstances, and the functions of government are to regulate our relations with each other where necessary, and we must support the Government.

Speaking of our collective interests, we shall always be most heavily burdened in those things that we require the Government to do for us, and the least burdened in those things we

do for ourselves. Those things that are natural for the individual to do and that he can do without interfering with others he should do; some things it is necessary that the Government should do, and in others it is necessary that the Government should regulate. The problem is to determine where to draw the line so as to keep things running to the best general advantage.

The trouble now is that we are out of proper economic relations with each other, and we are not in natural economic relations with other countries. As a Government we have power to regulate our relations with each other, but we can not control our relations with other countries except, if we can, by mutual agreement. We have nothing to do with the people of other countries in their relations with each other nor the relations of their people among themselves. Whatever they may be, good, bad, or otherwise, we must treat as conditions with which we can not deal, and we must accept of the facts. They are facts and affect us materially.

At this time I shall not enter into extensive detail in discussion of financial problems, but they have had more to do with the high cost of living than the tariff problem.

True economic relations with each other in our own country can not exist on the present financial basis. True economic relations with other countries can not be established on the present financial basis. Under the present systems we are bound to have good and bad times alternately, even if the natural conditions should remain the same. We may in time correct our own financial system, but we have no power to correct the systems of other countries except so far as our actions may serve as an example to direct their reasoning.

We can talk on the tariff until the sun shall cease to exist and make new tariff laws every year, but the problems will still be unsettled and the tariff as much of a political ghost as it is now and the times as unsettled, until the financial problem is established on a true basis.

By its nature the money that we now use is fictitious. Just as long as we treat money as our god and treat useful property as of less value than money, fictitious money, just that long the most of us will be poor.

The ordinary bills of exchange and promissory notes given by ordinarily prudent business men to other prudent men have more of the true intrinsic relation to the fitness of commerce than the money we use, for the prudent man will not give his note unless he has resources out of which it may be paid, and much less will the prudent man accept of it unless the maker has. If we had a commercial money backed by intrinsic value, it would be sounder and better than our present money.



Why is it that, with all the natural provisions made by God, we allow our intelligence on economics to be so deceived that we allow this prostitution of property by money?

Property is the real, true servant of the people; money is not; but by a cunning device to prey upon perverted imaginations the world's money changers have been able to surround money with a magic halo that has come down through the centuries and has finally culminated in giving the money system the control of property. If we continue spellbound by that hallucination, we shall become more and more subservient to the money power as the natural advantages become more and more controlled by it.

I say, Mr. Chairman, that we should understand the proper purpose of money and the natural use of property and fix our laws regulating commerce on a natural basis. This is the province of Congress to do, and when we do that right we shall end our trouble with the tariff problem; then the financial problem will operate by an economic law instead of by the present speculative gamble. When we learn that and base our action on the knowledge, then we shall not export valuable property in exchange for money with fictitious value; but when we do export, it will be that which we do not need and in exchange for something we do need. In the initial it might be evidenced by commercial money. When we learn to know those things and realize their full significance, the greatest step forward ever made in human progress will be established.

With the clearing away of the belief in money as of intrinsic value the standing armies and the navies of the world will be disbanded; then the energy of the individual may be converted to the advantage of those for whom he would wish to apply it; then the hours of labor could be more nearly fixed by the necessity of the individual. There would be no motives for strikes and lockouts, and they would cease.

Conservation is the easiest of our problems if we adjust it to the natural order of things. It does not require the kind of aid that is now being attempted; nature practically takes care of herself if she is not prevented or abused by us.

The first thing we should do is to provide a true exchange basis; one that is not especially adapted to creating speculators and gamblers who manipulate the markets so as to give themselves the control of the products of the natural and legitimate producers.

By this false system that we operate under property is controlled by money, and as it is the property that we must actually use, money has the power of making slaves of us. Valuable property should secure money when it is needed, and since labor energy is the means of producing property, if property controlled money, then we should be able to settle the financial problems in the application of our daily energy and we should have no hard times except if nature herself failed.

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Commerce should not arbitrarily be riveted to gold any more than to other coexisting commodities. It is because of binding commerce to an arbitrary money that we have panics sometimes in the midst of plenty, and we have had them even when nature was most responsive to the common needs, which is proof enough that the present system is wrong.

The interchange of properties should rest on intrinsic values as related to the respective properties, and money should serve only as a medium of exchange without itself being used as a commodity, but should be secured in its purpose by full credit in its use to purchase by reason of its support by the commodities. Pure credits serve to transact approximately 95 per cent of the business; therefore, on a stable currency there should be no necessity for money representing more than a small per cent of the value of commerce.

The fact that we have not had a commercial money is largely responsible for the present control by the trusts. That fact has had far more to do with building up trusts than the tariff had.

I am not basing my remarks on imagination or theory, but on years of careful study and close observation of things in actual occurrence. I have watched business more than I have read books.

Take the panic of 1893 and following years. If we had then had a commercial money there would have been no extended disturbances. The losses would have been confined to those who were not on a sound basis, whereas under the arbitrary gold system existing many institutions were swept into bankruptcy which under any ordinary calculations of credit were sound.

After the 1893 panic there was a new alignment of business, and under that the trusts increased their control. The commonality during those years of panic lost billions in idleness and otherwise, while the plutocrats, considered as a class, lost nothing.

After this reorganization there was a period of prosperity for the trusts. They increased their fortunes enormously and many small institutions were launched in that boom. The commonality also recuperated and profited more or less in the same period. Any person could then easily get employment. The speculative gambling influences that had been working in previous periods were at work in this period, and after the gambling spirit had gotten to a point where it could no longer profit by the rise the arbitrary money system was again resorted to to put prices down and to give the trusts another clean-up.

The panic of 1907 eliminated a lot of the small institutions that interfered with the trusts. The year 1907 responded with one of the greatest crops in the history of the country, but notwithstanding that fact no one doubts that Morgan and Rockefeller had at that time the power to precipitate the country into such a state of bankruptcy as the world had never known, but all they did was to let it drift until they absorbed institutions that were not before directly under their control.

The 1907 panic gave the trusts greater control of things in general. I do not charge, though many do, that the panic was brought on for the very purpose of giving the trusts further control. That is not the vital point in my discussion.

Any person who observes closely and is familiar with our banking and money system and with the gambling spirit of the country and of the world understands that under our system we are certain to have panics. If nature should respond in bountiful regularity each year, we would still have them. It is that fact that is vital in our consideration.

It is bad enough that a few money and credit men should be able to bring on panics practically when they please, but it is still worse that we should have a system under which not even these greatest of gamblers and financiers can prevent recurring panics. The loss through enforced idleness, and otherwise, of the 1907 panic ran into the billions.

Gold is the same as other property in nature, a mere commodity, but the money changers early saw that in its use as money there was an opportunity to subject all other property to their control and make them the arbiters of the world. It was done by monetizing gold.

Not long since there was an attempt to monetize silver. That would not have helped us out of our difficulties.

Some financiers now fear that the gold production is too great, and that if it continues to increase we shall have to demonetize gold. No one has yet suggested a new property to monetize instead of gold. I mean none of the great money changers have.

It is held by some that the Government may issue greenbacks and claiming that all the wealth of the country would be back of them. How would they convert them if they wished? They could not specifically take your or my property, giving us the scrip, if we did not want it, and we might not wish it unless the Government taxed us so high that we had to use it to pay taxes. No; greenbacks or fiat money, as it is ordinarily understood, would not remedy conditions, but would create further confusion. It would not respond to natural commerce.

Money controls property, and since the money changers are by law given special privilege to regulate credit they control property—that which we must have for our everyday lives. That is not a protective tariff; but the law, point blank, gives the money changers the power to control as they wish our everyday energies by the use of money and credit.

Nelson W. Aldrich, chairman of the Monetary Commission created by the Aldrich-Vreeland law, comes forward now with a proposition to enact a law to give the money changers still greater control. He proposes a modification of the present system.

If money power is to be continued as the lord of both property and our lives, the Aldrich plan is suited to do it. It has some strong provisions to give the money changers a broader, more extended, and united control of finances. If we favor giving additional advantage to the money interest alone, there may be credit in the Aldrich plan, even to what I might term the “wards” of the money changers—I mean the plain people—for finances get into a runaway state at times, so that even the money changers can not do as well by us as they wish. They do not want to destroy us, for they monopolize and appropriate the result of our energies.

If we would wrest ourselves from under the power of the money changers, we must make property, that which our everyday energy produces, the control of finances.

If instead of giving to the money changers all the power to control we give property its true place in commerce, we shall bring about natural commercial relations between money and property and applied labor. We should then have the condition of the times regulated by the energy given to producing useful property, and that energy would be largely within the control of the commonality.

To make my position clearer, if I can, I will suggest a dual plan. I do not pretend that this tentative plan is at this time complete or without fault, for I am merely suggesting general principles with something of detail applied to our common necessities in the same way that the Aldrich plan applies to the money changers' desires. Later I shall present the plan in a more complete form.

Aldrich's plan is to create an association of the banks and make it the system to control money and credit, which would give it incidental power to control prices of property. He does not lose sight of the value of credit.

The management proposed by Aldrich for his plan is a masterpiece. If Aldrich was in education and sympathy with the commonality instead of with the trusts and the oligarchy, he would have evolved a plan that would have been a great step forward. While his plan can not as a whole be used with safety to the people, nevertheless the management he proposes may, if controlled by the people, be copied in much of it, for a system that would be suited to the common interests. If Aldrich had not sought by his plan to bring the world under the control of Wall Street and to go into foreign countries with the United States practically backing up a great speculation, in many respects it would be suited to hold in steadiness our finances. The system of management proposed by him suggests what may be done in the common interests, and we are indebted to him for suggestions. We should eliminate the features of his plan that contemplate the invasion of foreign markets for speculation and also eliminate those provisions that are in the interest of Wall Street and build on some of the ideas it presents—a system in support of good banking.

We are not in legislative work for the bankers. Banks serve a useful place in our business relations, and we should seek a system that will not encumber them. The present system does encumber the banks when they might be of the most assistance to the public. When funds are most needed in times of panic the banks are compelled by our cumbersome system to refuse assistance. The bankers are among us in our communities and take an interest in building up the places where they live. They hold in trust our funds and they prefer that those funds should be active in the locality where they do business, but our laws prevent it. But if we should accept the Aldrich plan as presented, the country banks would all be compelled to come under the control of Wall Street. We should pass such laws as will enable the banks in times of stress to make the utmost safe use of the funds they control in relieving distress. That is of importance and, even though our money system is wrong, we should not fail to provide legislation that will make it serve the best it can. That will not prevent the adoption of other and better money systems.

Aldrich's plan for his proposed Reserve Association is wonderfully clever in its arrangement for capture by Wall Street as soon as it should get into operation. It is proposed to start it with power distributed to the banks in general, and if it were left to the banks in general as they are now, the country would not fare so badly; but the tentative plan of Aldrich for the management of the several associations culminating in the Reserve Association of America is very cleverly arranged so that the Wall Street moneyed interests would not have any difficulty in taking it over. I shall analyze his proposed management on another occasion.

The Aldrich plan would create no disturbance in what is now termed the financial world and it would give to Wall Street a greater control of the finances of the country and additional power to extend their control to all the world.

Gold has no other quality than a commonalty, except that which law and practice give to it. I suggest that other property be given equal legal credit and to let commerce fix its status. Other property should have equal legal standing and then let each property compete with all other, holding their relations in commerce with the commonalty's necessities. In the Vreeland-Aldrich currency law this principle was recognized, but in the favor of special interests instead of the commonality.

If property were given its natural position, there would be no panics; there would be no poor, except those who would not work.

Aldrich's proposed articles of association for the money changers to guide them in their control of the credit of the commonality is not complicated in principle, though necessarily it is somewhat so in detail.

Since Members of Congress are all familiar with the Aldrich plan, I shall quote only such parts as are of importance in connection with my discussion. They are as follows:

#### RESERVE ASSOCIATION OF AMERICA.

##### CHARTER AND LOCATION.

It is proposed to charter the Reserve Association of America, which will be the principal fiscal agent of the Government of the United States. The authorized capital \* \* \* shall be approximately \$300,000,000. The length of its charter shall be 50 years. The head office of the association shall be in Washington, D. C.

The country shall be divided into 15 districts, and a branch of the Reserve Association shall be located in each district.

The Reserve Association and its branches shall be exempt from State and local taxation, except in respect to taxes upon real estate owned by it.

##### CAPITAL.

Only national banks of the classes hereinafter provided for may subscribe to the capital stock \* \* \*. A national bank having a minimum capital of at least \$25,000 may subscribe \* \* \* and \* \* \* become a member of a local association \* \* \*. Fifty per cent of the subscriptions to the capital stock of the reserve association shall be called in cash; the balance of the subscriptions will remain a liability of the stockholders, subject to call.

Shares of the capital stock \* \* \* under no circumstances may be owned by any corporation other than the subscribing national bank \* \* \*.

##### LOCAL ASSOCIATIONS OF NATIONAL BANKS.

All subscribing banks shall be formed into associations of national banks, to be designated as local associations \* \* \* each composed of not less than 10 banks, and the combined capital \* \* \* shall aggregate not less than \$5,000,000. \* \* \*.

##### DIRECTORS OF LOCAL ASSOCIATIONS.

Each local association shall elect annually a board of directors \* \* \*.

##### DIRECTORS OF BRANCHES.

As heretofore provided, all the local associations shall be grouped into 15 divisions, and each of these divisions shall be designated a district. There shall be located in each district a branch of the reserve association. Each of the 15 branches of the reserve association shall have a board of directors \* \* \*.

##### DIRECTORS OF THE RESERVE ASSOCIATION.

The board of the reserve association shall consist of 45 directors \* \* \*.

#### **FUNCTIONS OF THE LOCAL ASSOCIATIONS.**

Any member of a local association may apply to that local association for a guaranty of the commercial paper which it desires to rediscount at the branch of the Reserve Association in its district.

#### **FUNCTIONS OF THE RESERVE ASSOCIATION.**

All the privileges and advantages of the Reserve Association shall be equitably extended to every national bank of any of the classes herein defined who shall subscribe to its proportion of the stock of the Reserve Association and shall otherwise conform to the requirements of this act.

The Government of the United States and those national banks owning stock in the Reserve Association shall be the sole depositors in the

Reserve Association. All domestic transactions of the Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities of foreign governments or of gold coin or bullion.

The Government of the United States shall deposit its cash balance with the Reserve Association, and thereafter all receipts of the Government shall be deposited with the Reserve Association or, when necessary, with such national banks as the Government may designate for that purpose in cities where there is no branch of the Reserve Association. All disbursements by the Government shall be made through the Reserve Association.

The Reserve Association shall pay no interest on deposits.

The Reserve Association may rediscount notes and bills of exchange arising out of commercial transactions for and with the indorsement of any bank having a deposit with it. \* \* \* The amount so rediscounted shall in no case exceed the capital of the bank applying for the rediscount.

The Reserve Association may also rediscount for any depositing bank notes and bills of exchange, \* \* \* but in such cases the paper must be guaranteed by the local association of which the bank asking for the rediscount is a member.

Whenever in the opinion of the governor of the Reserve Association the public interests so require, such opinions to be concurred in by the executive committee of the Reserve Association and to have the definite approval of the Secretary of the Treasury, the Reserve Association may discount the direct obligation of a depositing bank, indorsed by its local association, provided that the indorsement of the local association shall be fully secured by the pledge and deposit with it of satisfactory securities, which shall be held by the local association for account of the Reserve Association. \* \* \*

The Reserve Association may, whenever its own condition and the general financial conditions warrant such investment, purchase to a limited amount from a depositing bank acceptances of banks or houses of unquestioned financial responsibility. \* \* \*

The Reserve Association may invest in United States bonds and in short-term obligations \* \* \* of the United States, or of any State, or of certain foreign Governments. \* \* \*

The Reserve Association shall have the power, at home and abroad, to deal in gold coin or bullion, to grant loans thereon, and to contract for loans of gold coin or bullion. \* \* \*

The Reserve Association shall have power to purchase from its depositors and to sell, with or without its indorsement, checks or bills of exchange payable in England, France, or Germany, and in such other foreign countries as the board of the Reserve Association may decide. \* \* \*

The Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of purchasing and selling and collecting foreign bills of exchange, and it shall have authority to buy and sell, through such agencies, prime foreign bills of exchange arising from commercial transactions. \* \* \*

#### FUNCTIONS OF NATIONAL BANKS.

In addition to the rights now conferred by law, national banks shall be authorized to accept commercial paper drawn upon them. \* \* \*

The organization of banks to conduct business in foreign countries shall be authorized. The stock of such banks may be held by national banks. The bank so organized may have an office in the United States, but shall not compete with national banks for domestic business not necessarily related to the business being done in foreign countries.

There shall be established a new class of national banks, to be known by a specifically designated name. Such banks may have savings departments and may make properly secured loans on real estate. \* \* \*

Another class of national banks shall be authorized, which shall be, in effect, national trust companies, to be designated by some appropriate name, and to exercise all the functions and have all the privileges, including length of charter, which are given to trust companies by the laws of the various States. \* \* \*

#### NOTE ISSUES.

There is hereafter to be no further issue, beyond the amount now outstanding, of bank notes by national banks. National banks may, if they choose, maintain their present note issue, but whenever a bank retires the whole or any part of its existing issue it will permanently surrender its right to reissue the notes so retired.

The Reserve Association must, for a period of one year, offer to purchase \* \* \* the 2 per cent bonds now held by national banks and deposited to secure their circulating notes. The Reserve Association shall take over these bonds with the existing currency privilege attached and assume responsibility for the redemption (upon presentation) of outstanding notes secured thereby. The Reserve Association shall issue, on the terms herein provided, its own notes as fast as the outstanding notes secured by such bonds so held shall be presented for redemption, it being the policy of the United States to retire as rapidly as possible, consistent with the public interests, bond-secured circulation and to substitute therefor notes of the Reserve Association of a character \* \* \*.

If the Government should adopt the policy of issuing securities at a higher rate of interest than 2 per cent the Reserve Association shall have the right to exchange at par the Government bonds which it may have acquired from the national banks, previously held by them to secure circulation, for any bonds bearing interest at a rate not exceeding 3 per cent, but in that event the amount of annual taxes to be paid on notes based upon such new securities shall be as much greater as the interest rate of the new securities shall exceed 2 per cent. \* \* \*

In addition to the authority to issue notes to replace any national bank notes outstanding at the time of the organization of the Reserve Association it shall have the right to issue additional circulating notes as follows: The whole or any part of the first \$100,000,000 of such additional notes shall pay to the Government an annual tax of 3 per cent; above \$100,000,000 and not more than \$200,000,000 may be issued at an annual tax of 4 per cent; above \$200,000,000 and not more than \$300,000,000 may be issued at an annual tax of 5 per cent; all above \$300,000,000 shall pay an annual tax of 6 per cent.

All note issues of the Reserve Association must be covered to the extent of at least one-third by gold or other lawful money, and the remaining portion by bonds of the United States or bankable commercial paper, as herein defined, or both. \* \* \*

The notes of the Reserve Association shall be received at par in payment of all taxes, excises, and other dues to the United States, and for all salaries and other debts and demands owing by the United States to individuals, corporations, or associations, except obligations of the Government which are by their terms specifically payable in gold, and for all debts due from or by one national bank to another, and for all obligations. \* \* \*



A careful consideration of the Aldrich plan will disclose that it is not only the control of the finances of this country that are aimed at, but it is intended to be an association to amalgamate the finances of the entire world, so as to give them the control of the commerce of the world. It is the last step in the ladder, so to speak, to unite all the trusts in the world into one controlling power, to be under the guidance of a great financial head dictator. The next step by which would be reached the grand climax of the trust system.

The Monetary Commission, of which Mr. Aldrich is the head, made a summer trip to Europe, charging the Government as expenses, unitemized, \$19,250.18, and paid in addition for documents and articles on banking systems of foreign countries a very large sum, probably over \$100,000. The total expense of that commission up to the last published statement is \$207,130.48. The Aldrich-Vreeland bill authorized the commission to spend money without vouchers. The Government is paying the expenses to stage things for the Aldrich plan.

In the Aldrich plan observe the following provisions:

All domestic transactions of the Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government and State securities or securities of foreign governments or of gold coin or bullion. \* \* \*

The Reserve Association may invest in United States bonds and in short-term obligations \* \* \* of the United States or of any State or of certain foreign governments. \* \* \*

The Reserve Association shall have power at home and abroad to deal in gold coin and bullion, to grant loans thereon, and to contract for loans of gold coin or bullion. \* \* \*

The Reserve Association shall have power to purchase from its depositors and to sell, with or without its indorsement, checks or bills of exchange payable in England, France, or Germany, and in such other foreign countries as the board of the Reserve Association may decide. \* \* \*

The Reserve Association shall have power to open and maintain banking accounts in foreign countries and to establish agencies in foreign countries for the purpose of selling and collecting foreign bills of exchange, and it shall have authority to buy and sell through such agencies prime foreign bills of exchange arising from commercial transactions. \* \* \*

All the above provisions for an invasion of foreign countries come into the Aldrich plan under the head of "Functions of the Reserve Association." Then by his plan, under the head of "Functions of national banks," he has the following:

The organization of banks to conduct business in foreign countries shall be authorized. The stock of such banks may be held by national banks. The bank so organized may have an office in the United States, but shall not compete with domestic banks for domestic business not necessarily related to the business being done in foreign countries.

The provisions, if enacted into law, and that is what Aldrich proposes, would complete the agency for a control of foreign commerce and finance. But Aldrich was not satisfied to give the money changers, under authority of the United States, that agency alone. He also wants the United States to back it with Government funds, which he provides for by the following:

The Government of the United States shall deposit its cash balance with the Reserve Association, and thereafter all receipts of the Government shall be deposited with the Reserve Association. \* \* \* All disbursements by the Government shall be made through the Reserve Association.

Aldrich's whole plan is a well-devised scheme adapted to the use of Wall Street. Wall Street, backed by Morgan, Rockefeller, and others, would control the Reserve Association, and these again, backed by all the deposits and disbursements of the United States, and also backed by the deposits of the national banks holding the private funds of the people, which is provided in the Aldrich plan, would be the most wonderful financial machinery that finite beings could invent to take control of the world. And Aldrich proposes to make it the "fiscal agent of the Government of the United States."

But if, with all the reenforcement I have mentioned—that is, to support Aldrich's proposed Reserve Association—it should still be found that it needed more funds to conquer the finances and commerce of the world, Aldrich has it provided in the following:

In addition to the authority to issue notes to replace any national-bank notes outstanding at the time of the organization of the Reserve Association, it shall have the right to issue additional circulating notes as follows: The whole or any part of the first \$100,000,000 of such additional notes shall pay to the Government an annual tax of 3 per cent; above \$100,000,000 and not more than \$200,000,000 may be issued at an annual tax of 4 per cent; above \$200,000,000 and not more than \$300,000,000 may be issued at an annual tax of 5 per cent; all above \$300,000,000 shall pay an annual tax of 6 per cent.

In passing, I call attention to the fact that Aldrich does not propose that the commonality should buy Government bonds, if they want them, if the bonds bear over 2, and not more than 3, per cent interest. To prevent that his plan has the following paragraph:

If the Government should adopt the policy of issuing securities at a higher rate of interest than 2 per cent, the Reserve Association shall have the right to exchange at par the Government bonds which it may have acquired from the national banks, previously held by them to secure circulation, for any bonds bearing interest at a rate not exceeding 3 per cent, but in that event the amount of annual taxes to be paid on notes based upon such new securities shall be as much greater as the interest rate of the new securities shall exceed 2 per cent.

Aldrich also provides for scooping up the postal savings-bank deposits, but I shall dismiss, for this time, further consideration of the Aldrich plan unless by mere reference to explain my further remarks.

The Aldrich-Vreeland currency act and the creation by that act of the Monetary Commission was the initial step for a new field of exploitation; that is, to exploit the world. The emergency currency provided in that bill was a mere incident to the future complete control sought by Wall Street, the way to which is intended to be provided by the Monetary Commission's recommendation and the enactment into law of the Aldrich plan.

The breaking down of the protective-tariff system is also necessary to the exploitation of the world by the Wall Street crowd. The Aldrich plan, if enacted into law, would give it control of the world's finances. Wall Street assumes it has power in Washington to enact into law that plan, and now, in anticipation of that, it seeks to destroy the difference paid to pauper labor in other countries and what is paid to labor in this country, so that all labor may be on the lower plane. If Wall Street can do that, it considers the way clear to accomplish the end they seek, of making all the world alike serve it.

The procedure of the Wall Street crowd is so veiled that many innocent students and politicians, Members of Congress even, and people who are not politicians are blindly working to aid it. On the other hand, some of the knowing ones, to deceive the public, are playing the other side of the game. We have an example of that in the extra session. One step was to propose an agreement between Canada and this country and label it "reciprocity."

That agreement was prepared in secret, staged to take the people by surprise, and be passed before they should know its purpose. An extra session became necessary. The public press, with its power to mold public opinion, was taken care of in the paper and pulp schedule. The newspapers will save annually millions of dollars, but in supporting reciprocity the city press did not explain that. The country press to some extent followed the lead of the city press, but did so on the principles of reciprocity rather than in the favor of the specific agreement, for the press was supporting reciprocity before there was an opportunity to study the bill.

Some of its supporters say it is a beginning and others that a half loaf is better than none; the first are satisfied to exempt themselves and begin with others, while the second take the half loaf and leave the others no bread. Neither stops to consider that a people can not exist in peace among themselves if half are on a free-trade basis for what they sell to the other half, and that half supported by a protective tariff on what they return in payment.

To Wall Street it made no difference that the farmers would be scalped out of many millions of dollars and that labor should lose. To scalp from them is a regular practice of Wall Street. This time, however, the enemies that appeared in the foreground are public officials, some of them in league with Wall Street, but most of them innocent victims of one of the deepest laid schemes in the history of the country.

The so-called reciprocity is merely one step in a colossal scheme now staging for Wall Street to control the world. Wall Street well knows that under the confusion created by the Canadian agreement it will be able to break down the protective system by such piecemeal as will serve it best; it does not want to destroy it at one time, for that would not serve its purpose, so it seeks to begin with the farmers; it well knows that we can not long have a policy that protects in form a part of the people and not the rest; it knows that to begin that means to end in all free trade; it knows that if the farmers can once be placed on a free-trade basis ultimately all our industries will; it wants that to drag along for a few years, until the Aldrich plan can be made a law, and soon after Wall Street would own the world if we let things go its way.

If we had a people's money plan we should not be injured by free trade, but we shall be with Wall Street controlling the finances of the world.

The Aldrich financial plan is, indeed, monstrous but wonderfully suited to Wall Street, which would consider a people's money plan monstrous if supported in the same way by the Government. My proposition for a people's money plan is less monstrous than Wall Street's plan, and is equitable and in the common interests.

Instead of chartering Wall Street to own us, charter all the producers and property owners of the United States—a reserve association of America, to form a fiscal agency for the United States. The length of the charter should be at the pleasure of the people; the head office in Washington, D. C. For the purpose of an independent financial system the country should be divided into districts, one in each State, with the Treasury Department of the United States as the head and supervising office of all, to constitute a complete system for the issue of notes as currency, which should be exempt from State and local taxation, and that the amount of the issue should be limited as the charter would provide.

The above proposition in principle is on the same line of privileges to be given to all producers and property owners as Aldrich proposes to give to the money changers alone.

The charter should provide in detail for the management by directors and officers for the reserve association, the district associations, local associations, and so forth.

In a people's plan, instead of hypothecating credit the actual property would be hypothecated as a security. Receipts would be given to owners, and on these—a certain safe per cent of the value, coming within the provisions of the plan—notes could issue. These notes, in principle, would correspond with bank notes. The bank-note issue now existing could continue independent of this plan. Owners of property hypothecated, or their assignees, could relieve the property from custody by tendering the amount of storage charges and an amount of notes equal to those that had been issued.

In a people's plan each State would become a member of the reserve association, and the States should be subdivided into two or more local associations, and these again subdivided, where necessary, all to form a part thereof; but no local association should be formed within territory having a population of, say, for example, less than 300,000, and so far as practicable should have diversified business interests, and should be under the rules and regulations of the Reserve Association. The local associations should have charge of all hypothecated property and be subject to proper rules to safeguard securities. The local associations should guarantee all notes issued on property in their jurisdiction to the next highest division, and that to the next, and so on up to the Government, and the Government would be responsible to the bearer of notes.

After such an association was ready to act it would become important to fix on assets to be selected as a safe basis to secure the respective associations for note issues. This should be property of the various kinds selected as safe and in such custody as would insure its integrity. The Government would fix the rule of control. Upon such property such percentage of note issue could be made as would be within the limit of certainty safe.

A person whose property was in custody, holding his receipt, need not ordinarily surrender it for an actual issue of notes, for after the system once became established there would be no runs on banks, for there would be no actual or fancied cause for it. People would secure the currency only in case they wanted it, and it would always buy at the market price any property for sale.

The storage receipts could be taken to banks and would be the basis on which notes could issue. Banks could hold them, receiving such pay for transacting the business as would be reasonable and could send to the United States Treasury as many receipts at one time for note issues as they pleased.

The added system would steady the existing system and eventually would replace it without the least disturbance, for it would not be a forced system, but would be left to natural selection. Beneficial effects would be felt from the beginning in a better distribution of credit in proportion to the common needs.

The money would be redeemed as the property in pledge was wanted for use. It would pass current, for, in addition to being guaranteed by the Government, it would have the true assets back of it and those in practically all of the nonperishable staple commodities. Upon it could and naturally would be based a natural commerce, and the present financial gambling commerce would eventually cease. All property would eventually hold its relative value determined by the energy required to produce it and the requirement or need for it. Labor would then be rewarded in the relation of its importance to the production.

On account of the present system being fixed there will be prejudice against any dual system, but that prejudice would be removed, as a proper system would simplify all commercial relations. Property would become the basis for credit and the natural basis for notes to circulate current.

The notes would be made legal tender in payment of all taxes, excises, and other dues to the United States contracted after the enactment of the plan into law, and for all salaries and other debts, and demands owing by the United States to individuals, corporations, or associations, except obligations of the Government, which are by their terms specifically payable in gold.

Anyone wishing to contract to pay a debt in gold could do so, but it would soon be discovered that gold, except for its foreign use, would be less stable than other staples. It would not be long until America's gold would be dumped on the other countries if they wanted it more than we. They would soon wake up to the fact that it was not worth what they had supposed. We would not then be proud of exporting our more useful products to foreigners in exchange for fictitious money. We would want to get in exchange some product that we did not have or that we could not produce with equal advantage and that we needed or wanted. We would not need or want their money.

Of course I know the mere suggestion will be labeled as a dream. Every innovation is labeled that way. At another time I shall follow that out to an extent that will show that the whole present money system is a dream, although in some ways a convenient one.

The details of the Aldrich plan are much more complicated than the plan I propose for the commonalty. Aldrich bases his plan on the credit of an association and on the fiction or fiat of gold.

I would base a people's money on commerce only. It is a plan for sound money based on true principles of exchange with full credit in every dollar to buy all of the necessities, and it would express the true relation between property and the means of its production—labor. Then our population would stay nearer to the sources of wealth and we would not depopulate the country and overcrowd the city.

There could be no cornering of money based on commerce because money could be issued on the things subject to commerce. People could produce the very things on which the money would issue. Business under that system, as now, would be largely a matter of bookkeeping in exchanging credits, but as all goods of value require storing, except when in transit or actually in the process of consumption, they would, under a proper system, form the basis on which commercial money would issue. The process would on the whole be less complicated than the present method of banking and of providing the money base, gold; but since the Government would be required to guarantee all money on an equality, it would have to regulate or control the local and district associations, and it would provide the rules and regulations and establish the system in such control.

Already in times of emergencies methods of extending credits beyond the ordinary use of money have been used. For example, in the last panic clearing houses in large cities and many private business concerns issued scrip that passed current at the time. Of course, it was not legal tender and no one was compelled to accept it in payment of a legal debt, but it passed current notwithstanding.

The plan I propose would supply sound money—the best the world could have—and it would be made legal tender in payment of all obligations not otherwise contracted, and once it is established it would be so much more stable than gold that none would be foolish enough to contract to accept payment of debts in other money. It would displace gold soon after it was established.

Such a system would at once place the producer in a position of independence. The farmer, the laborer, and producers in general would be absolutely independent of the trusts, and trusts would cease to exist, for the only thing that maintains trusts is the fact that they appropriate the common energies.

The farmers and the wage earners are compelled to work for the trusts under the present system, whereas under the system I propose independent producing would start wherever the conditions made it natural. Then the country would adjust itself to the natural selection of the people. Now the trusts force commerce to go where they want.

Under my proposition the people can and would produce independent of the trusts and the latter would be forced by the law of true commerce to turn their holdings into the avenues of trade to be purchased by the producers on the basis of the natural energy required for the production and distribution. The energy required for the production and distribution would establish the price.

The system would act automatically. Banking would adjust naturally to this system as rapidly as it came into operation. The system of storage houses would be less complicated than they are now, for speculation would cease and there would be no shifting forward and backward of property except when required for actual use. There would be no waste of time in duplication of work as there is now. The amount of labor required would be immensely less, but there would be no disturbance because there would be labor for all who desired it, and all would desire under such circumstances to do some work for they would be the principal benefactors of their own labor. Then the hours of labor would be so much less that people would take more time for study and improvement. The morals of the world would gain to an extent that would change the very nature of the people. We should be on a higher plane generally.

I do not complicate my proposition with provisions for conquering the foreign markets either in finance or commodities. We have no need of their finance. Such commodities as they have and that we do not produce with equal advantage, or that we do not produce and that we desire, there are commodities that we do produce and that we can spare and that they want in exchange. The system that I propose will facilitate the exchange with a great saving over the present to the consumer's advantage.



Some may suggest that the trusts, now being in control of 80 per cent of all the capital, will by hypothecating that property be able to take out the same kind of money that we do, and thereby flood the money market and depress the value of this new money. Bear in mind that the money is not the thing to command in this new medium of exchange. Property is the intrinsic thing, and the money would be issued on a basis that would buy any kind of property at the natural cost of production, plus the energy required to take it to the place of consumption. That cost would be measured by the energy required to produce the property—mostly a matter of labor—and if the trusts undertook to hold their property away from the market we, through our labor, could set up an independent production. That would quickly bring the capitalists to a realization of the fact that if they held their property it would be no advantage to them. We could go on without interruption producing the things we require and let the trusts die a natural and peaceful death. There would be no danger, for without the assistance of labor the property of the trusts would be worthless. It is only in the enslavement of the wage earner and the farmer that the trusts are able to control.

Another objection may be stated by some, and that is that the trusts now largely command the means of production, and that we should be without the means of independent production for that reason. The trusts have not thus far undertaken to control the ownership of farm lands. It has been sufficient for them that they have controlled the markets through which farmers sell. There is yet a landed interest in the commonality that makes the people safe if they provide a means of application, and that would form a basis on which to build up a prosperous commonality, and, if necessary, without even taking the trusts into account.

We still have the power as well as the right of eminent domain, and when property is absolutely essential to the common good that is not otherwise available the right of eminent domain is sufficient to afford the means.

I do not consider it necessary at this time to follow out the plan in all details. But it would be very much more simple than our financial system is now and even in its administration less expensive, and in the saving through economic adjustment would be very many times more effective.

My purpose in injecting money talk into this tariff debate is that the tariff is one problem when considered with reference to the present methods of competitive business and would be quite a different problem if we had a currency based on natural commerce instead of speculation and gambling.

Referring to the immediate problem of tariff, it has been presented from all sides here and all kinds of figures have been given, with all kinds of deductions, and it is doubtful if anyone could present the subject in a new form. I think the most serious side of the tariff problem is that it is the ghost around which all our politicians hover, one set trying to induce the people to believe it the cause of all our industrial ills and the other stating that it is the cause of all the good times we have ever had. Both are wrong. No one could tell in detail where, when, or why these things are. That the tariff needs revision frequently all admit, for conditions are constantly changing. It is unfortunate that it should remain a subject for political quarrel, alternately sweeping parties in or out of control and keeping the country in a state of uncertainty.

This is a large country, but large as it is its industries to a great extent are trust controlled through industrial organization. When that can be done in a country as large as ours, it is positive proof that the same influences can, by the same methods, extend its control to the rest of the world. I have stated that there is a plan now to do so. In a measure it has already been done.

There is no doubt that if the tariff can be made to appear to the people to be the most vital problem and we are kept tinkering with it to the extent of having extra sessions called specifically for that purpose, by the time we get it settled the world will be on a new basis and the tariff will be immaterial. It will be like the Sherman antitrust law.

The inducement held out to the public that the Sherman antitrust law is sufficient to control the trusts and that it should not be amended is as ludicrous as any political hoax can be. That law has been on our statute books ever since the most of us were children. During its existence the trusts have been most prosperous and now control more of the necessities of the people than ever. Those who say that the people should wait for the Sherman antitrust law to take its course before they should take any other step in their own interests are little interested in the people or else do not observe the general course of things.

If the people can be fooled and made to wait on the many cases that have been prosecuted, and which are promised to be prosecuted under that act, till the law is construed, they will have given the trusts all the time they want or need.

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In the little affairs of life if parties come into court with unclean hands, to use an equity axiom, the court turns them away, giving neither relief, but the Government brings into court these big industrial criminals and has them defined to be violators of the law, and the decree protects the criminals in the conservation of their property. It was so in the Northern Securities case, and it has been so in other trust cases.

Will some one cite a case that does not involve a great trust in which individuals conspire to violate the law, and they are brought into court, the court defines how they shall proceed to divide the property equitably between themselves? In common causes of that class the litigants are kicked out of court without relief among themselves. The trusts are dissolved because they are unlawful, but the decree defines the method of conserving the property among the criminals. We should enact a law to escheat their property when the court finds an unlawful combination. The State should take the property of the criminals.

All this litigation about the trusts and all this discussion about the tariff is a little side show by which to keep the people busy watching it while waiting for their problems to be settled on the initiative by officials who never have known the people's rights, while in the main the great work of the special interests is going on in order to secure complete control of the world's resources.

We need not be interested in those who have capital and live on their capital, except to make them work, if we can. Every able-bodied person should earn his living by doing useful work, for if he does not we support him, and if he is rich and keeps servants we support them, too, and if he is extravagant and builds great mansions, keeps up expensive estates, yachts, and has other extravagant habits, we pay for all that too.

Of what good is it that the rich employ much labor, unless that labor produces something that is of common use? Unless they do they are an actual burden upon the rest of us, for we must produce what they consume. Employment alone of labor is no advantage. Labor to be of common good must produce the necessities of life. These are axiomatic truths. Who will say that the employment of labor in providing supercilious and unnecessary entertainment for the rich and their families is a benefit? Some say that it is, claiming that it takes that much labor out of competition with other labor. That is an error of economic understanding. They compete in consumption instead and do not produce what they consume, and consequently they are supported by those who do the work of producing the means of life.

Labor is not by nature competitive. All production of useful property under proper conditions is so much added to the common store. Under proper social conditions all who are able should work and produce as much as they consume. In that way only can there be the full measure of prosperity.

Competition will not solve the social problems, but cooperation will; but our cooperation must be in the common interests, and not in selfish individualism, for the latter would exclude the majority from its benefits.

It is because there are monopolies that take all the surplus over and above the living expenses of the wage earners that the latter as a rule are poor.

If we had a financial system based on the true purpose of exchange, we could dump on the other countries all the gold we have that we do not need in our sciences and fine arts and receive their useful property in exchange. That would wake foreigners up and they would never thereafter trade their more useful property for our gold. The gold hallucination would be removed from the world and an exchange system established and all the world would soon come onto an economic basis and individuals would then gain the advantage of their energy when properly applied.

We should not think that we can solve the riddle of high prices by the petty political speechmaking of Members against parties that is taking place here. We may change Schedule K and we may make other changes in the tariff that may be proper enough, so far as they go, but they will not go far to settle problems. The special interests will soon adjust to any action we take on the tariff so long as we do not take care of our more important matters.

It may be noted that the trusts are adjusting to the Supreme Court decisions under the Sherman Antitrust Act. The people are paying the expenses of the litigation in order that the trusts may know where they stand. Some of them are dissolved by decree, but the decrees are mere form, for the trusts carry on the work they organized for regardless of that fact. What is the difference if they accomplish their purpose by a community of interest or under the management of the corporation?

Mr. MURDOCK. Will the gentleman yield?

The CHAIRMAN (Mr. RUSSELL). Will the gentleman from Minnesota yield to the gentleman from Kansas?

Mr. LINDBERGH. In a moment. Yes; now.

Mr. MURDOCK. Does the gentleman believe from what he has said there that the Standard Oil Co. will not dissolve?

Mr. LINDBERGH. I believe there will be a community of interest between all the subsidiary companies; that is, all interests that belong to the Standard Oil Co., so that there will be little or no benefit come out of the recent decision. The trust operations will continue just the same. It was so in the Northern Securities case, and it will be the same in the Standard Oil.

Mr. MURDOCK. Now, does the gentleman also believe that the same thing is true of the Tobacco Trust?

Mr. LINDBERGH. I think that is largely so of that company, too.

The people need not look to Sherman antitrust acts, nor to any other antiacts for relief, nor to the decisions of the courts, for these require generations first for legislation and subsequently for judicial construction to find, when the laws have been enacted and finally construed, that the very nature of social things have so changed that the problems are all presented anew. It is not in the antiacts that we shall succeed, but in constructive acts we would.

The two great vital problems on which to proceed are transportation and exchange. They are the economic twins about which the great battles for settling economic problems must be fought. Settle those two problems right, and prosperity will continue as long as nature is responsive. These are many times more important problems than the tariff. To tinker with the tariff and neglect them is wasting our time in comparison.

Instead of giving all of our time to this antibusiness we should profit by the example of the great trusts. They show that they can defeat the commonality by their cooperation, and that means that we shall have to cooperate ourselves, for until we do they will continue to monopolize the field. They have grown stronger each year in spite of all the adverse legislation and the effect of public sentiment against them.

It will do us little good to fight the trusts or to tear them down until we cooperate ourselves and go ahead independently. We have been working on the plan of tearing them down, and leaving it for them to build up again. Do we suppose they will build up on any less selfish plan?

Mr. CULLOP. Will the gentleman yield?

Mr. LINDBERGH. Yes.

Mr. CULLOP. What is the trouble with the decision in the last two cases, those of the Standard Oil Co. and the Tobacco Trust, in your judgment, as to why it is not effective as to the dissolution of the trusts?

Mr. LINDBERGH. I do not claim that those decisions will not dissolve these trusts, so far as their corporate form is concerned, but I believe the community of interest that actually exists among the owners of the different properties and

viduals making up the trusts—if I am permitted to call them different properties—will continue to control the action of those who have the different properties. They will be operated for their selfish purposes.

Mr. CULLOP. Is that the fault of the law or of the officer who is prosecuting the cases?

Mr. LINDBERGH. I should not say it is the fault of the law. It is in the administration of the law.

Mr. CULLOP. Is it the fault of the Attorney General because he does not follow up the cases and enforce the law so as to make it effective and bring about the remedy which was desired?

Mr. LINDBERGH. In a measure, yes; but I believe that there is an economic principle that you can not put down, namely, that wherever there is a community of interest that interest will act in harmony with its component parts—that is, it will work out its own preservation to the best possible advantage.

Mr. MURDOCK. Mr. Chairman——

The CHAIRMAN. Will the gentleman from Minnesota yield to the gentleman from Kansas?

Mr. LINDBERGH. I will.

Mr. MURDOCK. Does the gentleman believe that to the point that he would hold if criminal prosecution was had under the Sherman antitrust law the Standard Oil Co. and the Tobacco Trust would not dissolve? Does he believe the community of interest would continue to work under agreement in violation of the provisions of the Sherman antitrust law if the Attorney General applied that law ordinarily?

Mr. LINDBERGH. I do not, for the reason that men consider their liberty and their lives more important than their property ordinarily.

Mr. CULLOP. Now, just one other question. Do you not think it is the duty of the Attorney General under the decisions in the two cases, as the facts have been found and the law construed, to proceed with criminal prosecution?

Mr. LINDBERGH. I do.

In 1909 we had an extra session and we have now another, the purposes of both being deceptive in assuming in the first instance to solve fundamental problems. I have watched this thing closely since I began my work here, and it seems clear to me that there is no hope of relief in Congress until the people decide what they want and then elect their Representatives to execute their plans. It would do no good for them to take the words of the politicians for their guide, for to use plain Anglo-Saxon the politicians are liars. [Applause.]

If the people will give their attention to determine the basis on which we may succeed, the way will soon be opened by them for constructive legislation that will aid.

There are many ways in which legislation would aid in a better adjustment, but we are confronted with the discouraging fact that must be first overcome—that is, that this House has ceased to be the forum of the people. It is plain that in that capacity it has gone out of business. Some of the people's Representatives have renounced their office, lent themselves to a caucus system, and delegated to the caucus the privilege of doing what the people elected them to do. In that way some Members think they are relieved of their responsibilities.

No Member has any influence on the floor of the House after the caucus has once made its decision. No act, speech, or deliberation in the House now changes the result of caucus action.

The House has capitulated to an unofficial body at the present time known as the Democratic caucus.

It is not the first time in history that the majority membership of this House has committed treason, nor is the Democratic caucus the only caucus to have committed the offense.

I am not partisan in this consideration. I am talking against treason, and I unhesitatingly say—and I say it with the laws of the country and the Constitution in mind as my guide—that any Member who surrenders his action to the control of a caucus, whether it be of one party or of the other, violates his oath, is a traitor to his constituency, and commits treason against his country. I know that in this statement I am challenging the opposition of the trusts and their organs, for they will fight for the caucus system, and they will criticize me for opposing it.

I say, destroy the caucus, and then we shall have the government that is the people's. The caucus belongs to bosses and special interests. These try to make the people believe that large bodies can not act en masse. They say that of the senate and house in my State also. Each party here has more Members than the senate and house combined of the Minnesota Legislature; but the same argument is made there. What

would be done if the people should happen to elect all the Representatives from one party?

It is in opposition to caucus and Executive control in connection with legislation that every citizen should rise in arms. This system is in its essentiality a system of the bosses and special interests.' It is the most effective way by which they can secure legislation favorable to themselves, and it has been encouraged by them at all times.

The country has been discreetly taught to believe that the caucus is the place to settle political and legislative matters, and Presidents have been encouraged to bribe, using patronage as the spoils.

We have noticed the profound satisfaction of Democratic leaders over the fact that they have now a perfect machine that controls their individual membership. They take proceedings off the floor of this House to caucuses and there pledge the members to a unit and sear over their minds with the caucus stamp in order to make them believe that they are thereby relieved from any direct responsibility to their constituents and to the country. After that is done they are brought back to the House to vote, so as to make the action of the caucus legal; but it is all the action of the caucus and not the House.

On this wool schedule it was reported of the caucus in the Washington Times:

Before the final vote was taken FRANCIS BURTON HARRISON, leader of the Bryan forces, presented his resolution for free wool as an amendment to the bill of the Ways and Means Committee.

The amendment was framed as a compromise, HARRISON having discovered during the day he had no chance for free wool. He asked for free wool in 1916, with gradual reductions annually. Representative RANDELL of Texas offered as a substitute an amendment providing for free raw wool immediately.

About these amendments the fight in caucus waged throughout the day and up to midnight, the Bryan men standing by HARRISON.

The truth of that report was not denied. After the long and arduous fight in that private caucus, to which the people were not admitted and in which the proceedings were secret, they were finally able to subjugate the conscience of most of the belligerent participants. These were Members of Congress and had all sworn:

I do solemnly swear that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion, and that I will well and faithfully discharge the duties of the office which I am about to enter. So help me God.



Is there anything in that oath that allows a Member to surrender to a private caucus?

But their oath, their districts, their country, and their God notwithstanding, in the caucus they were finally whipped to unanimity for the Underwood bill, except Representatives RUCKER of Colorado; ASHBROOK, FRANCIS, and SHARP of Ohio; and GRAY of Indiana. These were excused by the caucus for not violating their oaths. The action of the caucus in voting to excuse them shows the meaning of a caucus.

No matter what the Underwood bill is, so far as caucus action is concerned—it may be the best ever—but the action of the caucus is the place where the people's rights are defeated and the place where the order of the House is prostituted. The Members who refused to violate their oaths did credit to their constituents and the country. They are not shackled. They may vote as their constituencies require and as their country demands.

Those of us who were Members of the last Congress observed the consternation of the Republican leaders when they found that there was not a sufficient number in their ranks who would desert their constituents and the country to be tied up by the caucus system.

You Democrats who are playing the caucus game in order to pledge the vote of Members to the wish of your leaders or to even a majority of those in attendance can well afford to remember how jubilant the country was when on a few occasions the last House demonstrated that it could be a deliberative body. On those occasions you Democrats formed an important number of the independent Members.

You ought not to think now, because you are in the majority, that you can violate your oaths and the laws in order to enact legislation, even though it were for the public weal. There is an orderly way to enact true legislation and you would get better results to follow it, for the most of the membership of this House is prepared to work for their constituents, but your caucuses are destroying their opportunity to do so.

I do not impute to any Member who attends a caucus bad motives. I am not making these remarks as a personal or a party attack. I wish them to be understood as an attack upon one of the most vicious systems ever practiced by Representatives accredited to the people. You Democrats who now uphold

and follow it, even though it be with the best of intentions, are sowing the seeds of sins to be committed in the future if the practice continues.

In the past the people have permitted caucus control, but that was done without knowing of its baleful ulterior results. The public now knows that the caucus system is the machine for ultimately defeating the people, and is an infringement on representative government.

It is no defense that the action of the caucus is sometimes in line with good purposes. We can not permit theft for even charity, nor for the purpose of returning to the owner that which belongs to him, for when the thief had perfected the act of stealing to a fine art, he would not return the goods, and that is equally true of the caucus, and when it is well established in a party and representative government is defeated by it, the machinery of the caucus is in shape for the convenient use of designing and selfish interests, and these do not hesitate to use it. It has been so in the past, and no one who understands the ordinary influence of human character doubts that it will be repeated with the same results in the future.

Representation proper is only once removed from the people; it is the delegation of authority by the people to representatives. The caucus is twice removed from the people. It is the delegation of the authority by the representatives who were given the authority by the people. The representative passes it along from himself to the caucus. The members of a caucus are not as such under oath; as such they have no connection with the people; they are a self-constituted body, usurping the rights of the House.

And person who presumes to favor the initiative, referendum, and recall and goes to a caucus is false to his own pretensions.

By this caucus system about half the Members resolve themselves into a body, and by a bare majority tie up the rest and make them vote in the House as they could not in the caucus, and thereby destroy their entire influence in the House and make the membership generally ineffective in this House. The tail wags the dog, figuratively speaking. That is, in effect, the caucus system that you, who pretend to be for the initiative, referendum, and recall, stand for.

Why do you not champion the rule which you upheld in the last Congress—I mean the rule of representative government—until we do get the initiative, and so forth? The caucus is not even as favorable as my illustration, for it is seldom, if ever, that all the Members of a majority attend a caucus, and yet partisans commonly assume they are bound by their party caucus whether they attend or not. There have been innumerable caucuses in the past where even less than half the membership of the prevailing party attended, but notwithstanding that fact the acts of Congress on matters of the greatest importance were controlled by a mere majority of those in attendance at a caucus.

And again, why did you allow many days for general debate on the reciprocity agreement after you had already decided in a Democratic caucus that the vote of the Democrats should be in the House exactly as the caucus dictated? You knew the debate would not influence the result. Did you do it to make the people believe that the House is a deliberative body or was it done to give Members a chance to make speeches for home consumption?

Why on every important bill do you call a caucus and bind your members to vote as a unit in the House when they do not in caucus? It is because your caucuses are held to deprive the House of its deliberative functions, and to rob the House of its most important right and duty. But when you do that you show that your spirit and minds are more closely in sympathy with a monarchical government than one embracing the initiative, referendum, and recall, which most of you claim to favor. Why? Because by permitting caucus decisions to take the place of Representatives in Congress you are getting the farthest away from the people's control. If only for the sake of consistency you, who believe in this caucus system, should denounce the initiative, referendum, and recall.

I am against the caucus because it is the weapon of the special interests to control legislation in its own favor. I am for the initiative, referendum, and recall because under it the people have a direct control of their affairs and it enables them to direct their servants whom they elect.

I want to say that there was a Republican conference this morning, and if I had not been preparing for my remarks to-day I should have attended, because I do believe in conference of Members for the purpose of uniting their experience in the consideration of measures that come before Congress. They could gain an amount of information there that would be well worth their time to attend; and I believe a Member attending

should, so far as he consistently can, be guided by the prevailing action of a conference. In a conference no previous political slates or framed-up schemes tie up the membership like a caucus does.

We should oppose Presidents exercising influence on Congress, either by themselves or through executive departments, except that of the President's advice and recommendation.

The House is the only elective body that has anything to do with the Government, and when a President controls it by systems of personal favors, in the shape of patronage, to those Congressmen who will vote for so-called administration measures, irrespective of their honest opinion of their merits or demerits, he is guilty not only of bribery, but is also guilty of stealing from the people the only direct representation they have in Congress. It is a most insinuating practice; an insult to the people's intelligence; sets a most pernicious example; and shows an utter disregard for the form of our government.

The mere fact that the distribution of favors is so veiled as to make it impossible for the general public to directly connect and recognize the granting of the favor with the votes controlled by it does not in the least mitigate the enormity of the offense, for it is not the offenses defined by statute that do the most harm. Senators and Representatives have been alike guilty with Presidents in this practice.

The people themselves have been careless about this matter. Political schemers devise ways for molding public opinion, and in some instances for preventing, if possible, the public having any opinion, in order to let predatory associations control things in their own interest.

A Member who does the best he can for the people and who is at all sensitive to unfavorable comments that are engineered by scheming politicians, or who is amenable to unfavorable comments by a portion of the press, will be ill at ease in Congress, for there are many ways to defeat the aims or purposes of those who stand for the people. Among others, it will be found that busybodies back in their districts are at work, under secret directions of the politicians, spreading false and belittling stories. Secret false gossip is hatched out by conspirators. First it is whispered with a "don't-you-tell" admonition, but all the time it is intended to be told, and will be worked more and more, until honest, well-intending people can be got to believe it, and these are expected to do the gossiping. It is the real purpose of the conspirators to start things going in that way, and there is no way to forestall it except by constant, vigilant, public observation.

Then again, because a Representative who supports the people can not be bribed with patronage, office seekers are sometimes persuaded to repeat quietly around that the Member is "no good," "can't get anything for his friends," "what's he done, anyhow?" All that is peddled around in the hope that the people will fall into the habit of doing the same.

Then again, there is the Associated Press reports, which furnishes news to all the country by wire every day from every place, and that association, controlled as it is by the special interests, colors all the news it sends out so as to give it the most favorable construction to these interests and against the true representatives of the people.

And still again, in each district where there are many local newspapers a few may be secured to insert unfavorable comment, and any unreliable newspapers within the field, and sometimes reliable ones innocently, will insert those notices in their own columns and frequently add comments of their own, and by this process there are in most communities a few evildoers to keep the evil work in perpetual motion.

Besides these I have mentioned, there are many other means used to destroy the influence of those who would do their duty; but I think the most unfortunate of them all is that the Members who truckle to the politicians have the privilege of giving to their coconspirators at home the Government salaries to maintain them while they are sowing the seeds of falsehood, graft, and corruption. That is a part of the political scheme for making the people pay their own betrayers, and can not be remedied until our executive officials stamp out all political patronage and give the people and not the politicians the offices that are appointive.

The defeat and destruction of honest Representatives is not enough to save the selfish, for others would arise, but it is necessary to the selfish that they deceive the people to bolster up themselves. They must build up their own. There are innumerable resources for this, but even with all these the people discover them though sometimes much harm is done before they do.

The Associated Press reports are used to build up the selfish with a skill equal to that by which they are used to injure the honest. But the greatest asset of the boss is political patronage. That he can furnish at public expense. The people are taxed for it.

Take the House end of the Ballinger committee. It was McCALL, OLMSTED, Denby, and MADISON, Republicans, and JAMES and GRAHAM, Democrats. MADISON was a compromise as a recognition of the insurgents. The other three Republican Members who belonged to the regular organization were three of the busiest Members in the House, each on active committees. The House had at the time very many Members who were not in active work requiring immediate attention and who had the capacity and ability to do the work on this investigation, but the system had to have these busy men to maintain the power of the House within limited membership. Some of the members of the Ballinger committee were so busy that they failed to attend many of the committee meetings.

If we would do our work here in the right way, we would remove caucus, executive, and other special control of this House. We should then be in position to consider bills on their merits and demerits, with all Members giving their best efforts to their consideration. Then the time that is now consumed in general debate would be used to make and frame legislation in the open on the floor of the House for the people.

What a shame it is that it should be claimed that there is no time to do things in the House when it would take no longer to do our work here in the House than it does in caucus. The House might be in session instead of the caucus. It is absolute nonsense—worse, falsehood—to say that the House could not deliberate as well as a caucus.

This is a great country. It has the natural advantages to support a most prosperous people. To be sure, we have some serious difficulties, some of which I have mentioned in my remarks to-day; but notwithstanding these, there is no reason to be discouraged. Our people possess the necessary intelligence to find a way or make it.

I do not consider the trusts that now dominate and direct the business of the country into unnatural channels in order to make more profit out of the people's energy a difficult problem to solve.

It was inevitable that trusts should develop under our system, we having started wrong. They are a natural outgrowth of that system and are simply fulfilling an evolution to a higher progress. There is nothing like necessity to create a way. The trusts are squeezing the commonalty to an extent that makes it necessary to find a way, or make it, for the people's independence.

The most deceptive of all the methods used by the bosses is to pretend they are for the people. Some cases where it will do no harm to the interests they actually champion the people's cause and vigorously fight for the commonality on those occasions, but it will usually be found that where the special interests are concerned that things have been measured in advance and that the special interests can spare the boss on those occasions for what may be more necessary at other times.

So long as the present caucus system lasts and so long as there is special favor there will be those who will gladly accept of these favors even at the expense of their souls, and that is about the price here in Washington, and the price, too, for those that get favors back in the districts when they get them from some of the bosses here, but that is not in the way for them, for they only give to those who are ready to pay the price.

Another practice that prevails here, and that is opposed to good common sense, and is done for the purpose of defeating the people's rights, is to take the busiest Members and place them on the specially important committees.

There have always been able men here that were on inactive regular committees, and yet when special committees were appointed that had important work to do the work was heaped on those who were already overworked.

Looking over the appointments on committees for a number of years I can plainly see that that plan is a part of the general scheme to keep control in a very limited membership and to reduce the importance of membership as a whole. In other words, it is a part of the boss system of control. Take, for instance, the late Ballinger committee, which, I believe, has not been discharged. For the Senate it was NELSON, FLINT, SUTHERLAND, ROOT, FLETCHER, and PAYNTER, all appointed under the Senate system. The first four are Republicans, and it would be hard to find four who were more busy than these. They were all chairmen of very important committees. In the Senate at the time of appointment there were numerous Senators possessed of the necessary ability without arduous work on their hands.

3. We are ready to take the next step up the ladder of progress. That is to be the people's step. It is for Congress to pave the way with legislation for constructive work. It is not tariff legislation that will pave the way, neither is it antitrust legislation, nor is it the creation of additional departments or new courts or additional judges, for of these we have enough, but it is in the enactment of laws that will enable the commonalty to work out its own destiny by the rule of natural selection so that its everyday energy may inure to its own.

I think my to-day's remarks and those I have made on previous occasions point out some of the most serious problems. My purpose in pointing out these is to direct the public attention to them so far as I could. My opportunities for investigation have been better than those that people in general possess. It is necessary that the public should know in order to direct remedies. I have tried to do my share in this work. I believe I have my bearings now, and I think the public has secured its bearings through various sources, the principal of which is that it is paying all the costs of false systems. In the future my time shall be principally given to the constructive end of the work. I shall exert myself in that direction to the best of my ability, and am ready to join work with any of my colleagues, irrespective of party affiliation, in constructing legislation in favor of the commonalty. [Loud applause.]